CET Budapest • Prague Warsaw
On Radio Kolor, 103 fm
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TELECOM COMPANIES MANOEVRE
DUTCH TRY FOR PRIVATE STATUS TO HELP BID
page 2

POLAND
Extended coverage
pages 4 and 5, and section 2, page I

Polish business alarmed at greater state control
page 4

LATEST BUSINESS NEWS

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Americans claim uneven playing field in central Europe

- *Lack of info and tariffs barriers to business*

by Genevieve Zalatorius

High tariffs in Central Europe are creating an uneven playing field for American businessmen, according to a US Department of Commerce representative.

Franklin Vargo, deputy assistant secretary for Europe at the International Trade Administration, said tariffs and lack of information about this part of the world are problems that must be overcome.

"One of the difficulties is lack of information and how to explain prospects that are so far away (from the US)," Mr Vargo said.

The higher tariffs are due to agreements that European (neighbours) have "duty-free access to the Central European market, Mr Vargo said, creating an uneven playing field for the Americans.

"Not only is this a significant barrier for exporters, but it makes American exporters think twice. So this is a problem," Mr Vargo said. But, he added: "I have seen no lack of interest (from American firms)."

"A stable, predictable political and economic environment," is also an absolute necessity for US businessmen, according to Christopher Finn of the Overseas Private Investment Corporation (OPIC).

"American investors are looking for a long term, ten to 15-year investment and making judgments over the life of the investment," Mr Finn said.

"If investors themselves don't see opportunities and a climate that is hospitable, investors will not invest," Mr Finn said.

He said that "uneven application of privatisation" in some Central European countries could set off alarms for potential American investors.

He mentioned the Hungarian government's decision earlier this month to change the terms of the sale of HungarHotels to US-based American General Hospitality as an example.

"There's a perception that rules are changing in midstream," Mr Finn said.

In addition, Bulgarians may have a perception problem to overcome and should "take steps to make sure foreign investors are welcome in Bulgaria," Mr Vargo said.

"We look on the new government (in Bulgaria) to get a handle on inflation," he said.

As far the Czech Republic, Mr Vargo said the country has been "among the leaders in the region of privatisation."

Mr Finn said that some investors have concerns about the "liquidity" in the Czech stock market and that it "is not what it could be to provide an exit strategy."

Investors want to know whether to sell to a specific investor or to the public at large, he said.

"Everyone recognising that the stock exchange has a way to go," he said, but Mr Finn said it was "not a sign of peril in Prague."

Czech businessmen received seven concrete inquiries from US counterparts during the trade investment conference held last week in Cleveland, according to a Czech investment promotion agency manager.

Jan Havelka, who heads Czech Invest, attended the White House Trade Conference held on January 12th and 13th in Cleveland along with a Czech trade delegation led by Trade Minister Vladimir Dlouhy.

Mr Havelka said American businessmen were particularly interested in the engineering, electronics and Czech aircraft manufacturing businesses for possible cooperation, but he declined to name specific firms.

Mr Vargo and Mr Finn made their comments during a Wednesday afternoon teleconference on Worldnet TV broadcast from Prague's American Center and connecting participants from Sofia, Warsaw, Bucharest, Prague and Budapest.

LATE NEWS:

It was announced on Wednesday that Russia had granted most favoured nation trading status to Lithuania. For more details, and an analysis of this development, please see next week's edition of *Central European Business Weekly.*

Ministry of Finance telecom contract awarded without a public tender

- *Norwegians win contract; VSAT competitors upset*

by Genevieve Zalatorius

THE CZECH MINISTRY of Finance has awarded lucrative telecommunications VSAT business to a Norwegian firm, which has competitors fuming because there was no public tender for the contract, which is estimated to be worth between $10 and $12 million.

Ministry of Finance telecommunications head, Jiri Roudny, said last week that Norwegian Information Technology, NIT-Praha, was awarded the contract last year to provide VSAT data services to 152 VSAT stations in the Czech Republic.

Mr Roudny said the ministry uses SPT Telecom lines, which he considers to be insufficiently stable, so they will turn to satellite communications to link up to 150 different sites.

In addition NIT will be installing a hub station on the roof of the Ministry of Finance in Prague's Malastrana area this summer, according to NIT-Praha managing director Stefano Vittor.

Since January 1st a law has gone into effect which states that all large contracts have to go to public tender, telecommunications consultant Ladislav Chrudina of Chrudina Consulting told *Central European Business Weekly.*

"I don't know when the contract was signed," Mr Chrudina said, adding that the Ministry of Finance officials were aware the law was passed last year and "should have complied."

Mr Chrudina also commented that several VSAT companies are upset about the lack of tender and "plan to complain," but he did not name specific firms.

Mr Roudny said last week that NIT was awarded the contract because "they proposed a very convenient price," but he did not disclose the amount.

He said the ministry selected various firms to provide bids because "we have information that they are service providers."

The Norwegian firm was selected after the ministry "asked six to seven providers and they gave us their proposals." Some of the firms asked to bid included Telecom, Eurotel and Kabel Plus.

"The Norwegians had the most beautiful proposal, the most convenient for us," Mr Roudny said.

Neither Mr Roudny nor Mr Vittor could remember when the contract was signed last year and Mr Vittor repeatedly referred all questions about the project to the Ministry of Finance.

There are 15 licensed VSAT operators in the Czech Republic and some are angry and concerned about the bidding process.

"The Ministry of Finance, according to my information, has not contacted us," said Telecomspol VSAT project manager Frantisek Osvald.

"Yes, I'm upset," Mr Osvald said on Wednesday, adding his company would be interested in the project, but said they would need to know what the requirements were.

He said the Norwegians, through ABB, had offered the Ministry of Finance a transponder free of charge.

In addition to the other conditions of the contract, Mr Osvald said the Norwegians had offered the transponder and "the price for the lease of VSAT of 8000 crowns per month. It is very low. Normally the price is three times more than this," he said.

"There is a so-called dumping price. Normally in the world it's a standard price," he said adding that the Ministry was offered "a very low price."

"There was no tender for the biggest project in the country operated by the government," said Beednet Praha President Charles A. Ross who estimated that the project would have an initial cost of $10 to $12 million in the first year.

"It's a secret project with taxpayers' money. Why wasn't the entire licensed industry allowed to bid?" Mr Ross asked. "On the strength of that alone, the entire thing should be thrown out," he said.

As for how the project will be financed, Mr Roudny said it would be through taxpayer money. However Norway's ABB-Nera senior vice-president Arvid Hovland said it is possible the Norwegian government may provide a loan to finance the project.

"NIT can apply for a loan and get a credit from the Norwegian government so they can (help) the Ministry of Finance for this project."

"I think a loan is the only way they can finance this project," Mr Hovland said.

More telecom news on pages 2 and 8, and in section 2, page III

Creditanstalt provides key witness's financial records to court

by Jennifer Hushion

CREDITANSTALT BANK has provided the police with personal financial data on Lubos Sotona. Mr Sotona is a prosecution witness in the investigation of Jaroslav Lizner, the former head of the Coupon Privatisation Centre who allegedly accepted an 8.5 million crown bribe last October.

In the Czech Republic banks generally keep financial information confidential unless the client is being prosecuted for a crime. This however, is not the case with Mr Sotona, who is thought to be the chief informant on Mr Lizner to the police and a key witness for the prosecution. Press reports in *Mlada fronta Dnes* this week say the police asked for Mr Sotona's financial information in order to ascertain whether or not he is a reliable witness.

Gert Reinmuller from Creditanstalt defended the bank's disclosure of Mr Sobota's confidential financial records by saying they were "obliged to comply with the request of the police which was legally in order."

In fact, Creditanstalt did not legally have to provide the information for the investigation under Czech law, according to banking industry insiders. Representatives of several Czech banks have said they do not provide this type of data until legal proceedings have been initiated against their client. Mr Sobota, however, is not the person on trial.

Legally, the investigators in charge of the case should not have asked for the information and Creditanstalt should not have provided it.

US to support private equity funds

The US government has thrown its support behind two private equity funds that could leverage capital investment of more than $3,000 million for business ventures in Central and Eastern Europe.

The funds were set up by the Overseas Private Investment Corporation (OPIC) which agreed to provide loan guaranties to Bancroft Eastern Europe Fund L.P. and the Auburndale Central and Eastern European Property Fund L.P.

Bancroft Fund will be managed by the Washington, D.C.-based investment advisor, the Bancroft Group, along with Arnold and S. Bleichroeder Inc., a New York-based investment bank. The fund will make direct equity investments in private or privatizing companies in Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia and Slovakia as well as the manufacturing sector.

The Auburndale Central and Eastern European Property Fund, L.P. will develop industrial parks, especially sites for light manufacturing, warehouses and distribution centers. The fund will be managed by Auburndale Properties Inc. of Wellesley, Massachusetts.

OPIC has also agreed to support two other funds providing $125 million in new capital, the Poland Partners L.P. and the Calvert Emerging Europe Fund for Sustainable Development.

At the end of a White House Conference for Trade last week, US President Bill Clinton said he was delivering on his promise in Prague last year that these funds would be created.

"This January, we have four of them. Together, they can mean billions of dollars in capital investment to help fuel economic development in the region, while creating jobs at home," President Clinton said.

OPIC's private investment funds can leverage more than $9 in private investment for every dollar invested by the funds. So, a $100 million fund may leverage $1,000 million in total investment.

OPIC provides loan guarantees for up to 75 per cent of the capital of the privately managed funds. OPIC is a federal agency that provides loans and loan guarantees to US businesses seeking to invest in more than 140 countries around the world.

Currently OPIC has committed $1,200 million in insurance and financing to projects in Eastern and Central Europe.

In early March OPIC will be leading a high-level group of American executives to explore opportunities for private investment in the Baltic countries, Estonia, Latvia and Lithuania, as well as Poland.

Poles apart over policy

President Lech Walesa showed no signs of letting up the pressure on the coalition government this week, when he accused it of destabilising Poland.

A presidential spokesman said that Mr Walesa had warned the prime minister, Waldemar Pawlak, at their regular meeting on Monday, that "Poland was returning to Communist policies."

Last week Mr Walesa had ridiculed the prime minister as a young man who was not up to the job of priemier.

But Mr Walesa's remarks were echoed by the former foreign minister, Andrzej Olechowski, who said this week in a letter to the prime minister that the focus of Polish foreign policy was shifting away from the west and towards Russia.

ALSO IN THIS ISSUE

Czech/Slovak News. 2-3
Polish News.....4-5
Hungarian News.....6
Baltic States News.....8
Market reports.....IV - VI
Business to Business.....VII
Central European Diary .VIII